

## Message Text

CONFIDENTIAL

PAGE 01 LUSAKA 02418 211345Z

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ACTION SS-25

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O 211306Z NOV 74

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC IMMEDIATE 972

CONFIDENTIAL LUSAKA 2418

EXDIS

EO 11652: GDS

TAGS: EFIN, ZA

SUBJECT: TAW

REF: STATE 256227

1. WOOD HAD THREE-HOUR DISCUSSION EVENING NOV 20 WITH PRIME MINISTER CHONA WHICH WAS AGAIN INCONCLUSIVE, CAUSING WOOD TO PREDICT CASE WILL MOVE TO ARBITRATION UNLESS PRESIDENT RULES AGAINST THIS COURSE. (NOTE THAT GRZ ALREADY INVOLVED IN ONE POTENTIAL ARBITRATION, THAT WITH AMAX -- LUSAKA 2401.)

2. CHONA REJECTED WOOD'S PROPOSALS ON REINSTATEMENT OF CONTRACT, CLAIMING ORIGINAL TERMS TOO ONEROUS AND ZAMBIA NO LONGER NEEDS 300 VEHICLES. WOOD CONTESTED BOTH COUNTS. SAID HE SOUGHT DEMONSTRATE TO ZAMBIA'S THAT REINSTATEMENT MUCH TO THEIR ADVANTAGE FROM SUBSTANTIAL SAVINGS OVER WHAT NOW PAID TO TANZAM ROAD SERVICES. WOOD CLAIMED ZAMBIA'S COULD REGAIN PRACTICALLY ENTIRE REINSTATEMENT COST OF 29.1 MILLION DOLLARS. SEEMS THAT WOOD'S HOPES FOR REINSTATEMENT NOW A DEAD LETTER. BESIDES, IT CAME OUT DURING MEETING THAT GRZ HAD FORWARDED LETTER OF CREDIT TO US COVERING 100 GM TRUCKS AND 63 FRUEHAUF TRAILERS. WOOD NOTED THIS REDUCES GM THIRD PARTY CLAIM ON TAW AND ELIMINATES FRUEHAUF CLAIM.

3. ON QUESTION OF OUTRIGHT SETTLEMENT IT CLARIFIED 8 MILLION DOLLAR OFFER INCLUDED 62 VEHICLES IN ZAMBIA. CHONA  
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PAGE 02 LUSAKA 02418 211345Z

MADE COUNTER PROPOSAL IN WHICH THIS FIGURE REDUCED TO

4.7 MILLION DOLLARS AND IT SUGGESTED (IN WHAT WOOD SAYS WERE VAGUEST TERMS) THAT TAW GO IN WITH PRIVATE ZAMBIAN FIRM WHICH WOULD ASSUME SOME OF US COMPANY'S LIABILITIES AND ENJOY GRZ-FACILITATED LOANS FROM LOCAL AND OTHER BANKS. WOOD REGARDS THIS AS A HIGHLY POLITICIZED PROPOSAL WHICH WOULD SURELY INVOLVE CHONA'S FRIENDS AND PERHAPS NOT BE FULLY CONSISTENT WITH PRESIDENT KAUNDA'S SUGGESTION TO CHONA FOR A JOINT UNDERTAKING WITH 51 PERCENT GRZ PARTICIPATION AND 49 PERCENT TAW. WHILE WOOD SOMEWHAT LEARY OF PROPOSAL, HE NEVERTHELESS IS DRAWING UP A VERY ROUGHT DRAFT CONCEPT TO SUBMIT TO CHONA.

4. SOLUTION OF THIS NATURE WOULD PROBABLY OFFER BEST FACE-SAVING MEANS FOR CHONA WOOD BELIEVES, BUT BE LEAST ATTRACTIVE TO HIM BECAUSE OF TIME LAG FOR PROPER LEGAL AND TECHNICAL DOCUMENTATION OF ANY SUCH PROPOSAL; ALSO LIKELY DELAY IN STARTING UP CASH FLOW IN TAW'S DIRECTION. PARENTHETICALLY, WOOD NOTED TAW NOT TOO BAD OFF FINANCIALLY BECAUSE OF AUTHORIZED EXTERNALIZATION OF INCOME FROM ETHIOPIA AND UGANDA.

5. AS FOR ARBITRATION, WOOD BELIEVES TAW STANDS GOOD CHANCE OF BEING AWARDED JUDGMENT WHICH WOULD AMOUNT TO AROUND 15 PERCENT DISCOUNT ON A 19 MILLION DOLLAR REDUCED CLAIM, OR CLOSE TO 16.5 MILLION DOLLARS. SAY TAW WILLING TO GIVE GRZ ANOTHER 30 DAYS TO IMPROVE QUALITY OF ITS BELIEF WHICH WOEFULLY DEFICIENT AS IT SIMPLY DENIES TAW'S CLAIMS WITHOUT ANY SHRED OF SUPPORTING EVIDENCE. COVERING LETTER BY BRITISH LAWYERS WHO SUBMITTED CASE HALF-APOLOGIZED FOR GRZ PRESENTATION. WOOD BELIEVES PROBABLE MINIMUM TIME LAG FOR MOST EXPEDITIOUS HANDLING OF ARBITRATION WOULD BE SIX MONTHS. HE CONFIDENT OF FAVORABLE AWARD. CLAIMS CHONA ALREADY MAKING POLITICAL "SPEECHES" ANTICIPATING JUDGMENT AGAINST GRZ BY TELLING ASSOCIATES THAT EVEN IF GRZ LOSES, IT DOES NOT MEAN IT WAS NOT RIGHT.

6. WOOD ASSESSES LOCAL POLITICAL IMPLICATIONS OF ARBITRATION DECISION AGAINST GRZ AS DEATH KNEEL FOR CHONA. SAYS PRESIDENT KAUNDA HAS FOR SOME TIME BEEN LOOKING FOR AN EXCUSE TO DUMP CHONA AND THIS CASE WOULD SEEM TO

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LUSAKA 02418 211345Z

FILL BILL OF PARTICULARS.

7. ALSO PRESENT AT NOV 20 MEETING WITH CHONA WERE ZAMBIAN AMBASSADOR SITEKE MWALE, SOLICITOR GENERAL CHIBESAKUNDA, CONTINGENCY COMMITTEE DIRECTOR MUTTANDANGO AND NATIONAL TRANSPORT HEAD KAFUMAKACHE. WOOD NOTED ABSENCE OF MINISTER OF TRANSPORT AND PUBLIC WORKS SOKO AND ATTORNEY GENERAL SILUNGWE WHO HE FELT SHOULD HAVE

BEEN THERE AS REPORT TO NEXT CABINET MEETING WOULD BE  
CHONA'S ALONE.

8. WOOD DEPARTS LUSAKA NOV 22 FOR ABIDJAN AND EXPECTS  
TO BE BACK IN NEW YORK FOR THANKSGIVING.

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